

The Alcatel USA, Inc. Severance Benefits Plan

Amended and Restated January 7, 2002

**The Alcatel USA, Inc.
Severance Benefits Plan**

W I T N E S S E T H:

WHEREAS, Alcatel USA, Inc. wishes to amend and restate the Alcatel USA, Inc. Severance Benefits Plan (the "Plan");

NOW, THEREFORE, Alcatel USA, Inc. amends and restates the Plan, effective January 7, 2002 except as otherwise stated herein.

EXECUTED this 7th day of January 2002.

ALCATEL USA, INC.

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The Alcatel USA, Inc. Severance Benefits Plan

Article 1: Purpose

The purpose of this Plan is to provide guidelines for severance payments to certain Eligible Employees when they involuntarily terminate employment from Alcatel USA, Inc. or a related entity who has adopted the Plan. This Plan covers all domestic exempt and nonexempt Employees of Alcatel USA, Inc. and Alcatel USA Marketing, Inc. and all other people who work for a division of Alcatel other than Alcatel USA Marketing, Inc. if such people are on the payroll and benefits of Alcatel USA Marketing, Inc. at the time of the involuntary termination of employment (collectively the "Employer") except those Employees who do not qualify as "Eligible Employees" under Section 2.5. The Plan is a component part of The Alcatel USA, Inc. Comprehensive Welfare Benefit Plan. The Plan Administrator has authority to award severance benefits only in situations addressed under this Plan; if the Plan makes no specific provision for awarding severance benefits in a particular situation, then no severance benefits will be awarded.

The provisions of the Plan have been put into place to comply with the spirit and the letter of the WARN Act. Therefore, a nine (9) week Notification Period will be given regardless of whether the provisions of the WARN Act have been triggered.

The Plan provides a combination of Salary Continuation, Health Care Continuation, and Outplacement Services. In addition, the Severance Payment described in this document is provided in consideration for an Employee's signing and returning of the Confidential Severance Agreement and General Release.

This Plan does not establish a legal obligation for the Employer to pay any severance benefits, and the Employer reserves the prerogative to discontinue offering severance benefits or to pay a lesser amount of severance benefits than set forth in this Plan document.

Article 2: Definitions

For purposes of this Plan, the following terms shall have the meanings set forth.

- 2.1 Appeals Committee.** The Appeals Committee consists of the members of the Company's Administration Committee. Any action taken by a member of the Appeals Committee shall be considered action taken by the entire Appeals Committee.
- 2.2 Agreement.** The Confidential Severance Agreement and General Release that must be signed as a condition of obtaining the Severance Payment under this Plan.

2.3 Code. The Internal Revenue Code of 1986, as amended.

2.4 Effective Date. The provisions of this Plan are effective as of January 7, 2002.

2.5 Eligible Employee. Any Employee of the Employer who meets all of the following requirements:

- a. The Employee is classified with a status of regular Employee, working for and payrolled by the Employer.
- b. The Employee is actively at work, or has immediately returned from one of the following approved leaves of absence: Military Leave of Absence, Family and Medical Leave of Absence, Short-term Disability Leave of Absence, Worker's Compensation Leave of Absence, or Short-term Disability Leave of Absence pending Long-term Disability determination.
- c. The Employee's wages, hours of work, and conditions of employment are not subject to collective bargaining with a labor organization.
- d. The Employee is employed in a division, subdivision, plant, location, or other identifiable group of Employees to which the Employer has extended the Plan because the Employee is on the payroll and benefits of Alcatel USA Marketing, Inc.
- e. The Employee is not covered under a written employment contract on the date of termination of employment, unless that employment contract provides for participation in this Plan.

Employees who are employed in a division, subdivision, plant, location, or other identifiable group which has not adopted this Plan or is acquired after the adoption of this Plan are eligible for coverage only if the President and CEO of Alcatel USA, Inc. issues such a determination in writing, *and* this Plan is amended to reflect that decision.

2.6 End of the Notification Date. The End of the Notification Date (the "EON Date") is the last day of the Notification Period communicated to the Employee. This is also the Employee's Official Termination Date.

2.7 Employee. Each individual employed or formerly employed by the Employer in the relationship of employer and employee and not in the capacity of a co-op student, leased employee, contract employee or independent contractor (even if such leased employee, contract employee or independent contractor is subsequently determined by the Internal Revenue Service, the Department of Labor, a court of competent jurisdiction or the Employer to be a common law employee of the Employer).

- 2.8 Employer.** Alcatel USA, Inc. and its divisions, subdivisions, plants, locations, or other identifiable groups as described in Article 1.
- 2.9 ERISA.** The Employee Retirement Income Security Act of 1974, as amended.
- 2.10 Health Care Continuation.** The continued medical and dental benefits provided pursuant to Section 4.6.
- 2.11 Notification Period.** The Notification Period is a nine (9) week time frame beginning on the day the Employee is notified of his or her termination of employment with the Employer. The Eligible Employee may be required to continue to report to work during the Notification Period at the sole discretion of the Employer.
- 2.12 Official Termination Date.** The last day of the the Notification Period and the End of the Notification Date (EON Date).
- 2.13 Outplacement Services.** The outplacement services provided pursuant to Section 4.7.
- 2.14 Plan Administrator.** Alcatel USA shall be the Plan Administrator. The general administration of the Plan shall be vested in the Plan Administrator. For purposes of ERISA, the Plan Administrator shall be the "Administrator" and the named "fiduciary" with respect to the general administration of the Plan. The Plan Administrator shall designate persons who shall be authorized to sign for the Plan Administrator and, upon such designation, the signature of such persons shall bind the Plan Administrator.
- 2.15 Plan year.** The calendar year.
- 2.16 Plan.** The Alcatel USA Severance Benefits Plan, as set forth herein and as may be amended from time to time. The Plan is a component benefit program under the Alcatel USA, Inc. Comprehensive Welfare Benefits Plan.
- 2.17 Salary Continuation.** The salary continuation benefits payable pursuant to Section 4.1.
- 2.18 Severance Payment.** The Severance Payment payable pursuant to Section 4.2.
- 2.19 The Savings Plan.** The Alcatel USA, Inc. Retirement Savings Plan, as in effect on the Effective Date and as may be subsequently amended.
- 2.20 The WARN Act.** The federal plant closing law (Worker Adjustment and Retraining Notification Act (" WARN Act")), which requires that certain Employees receive notice that they will be terminated.

2.21 Week of Regular Base Pay. An amount equal to forty (40) hours of a full-time Employee's annual base salary in effect on the EON Date, including straight-time earnings and excluding overtime, bonuses, incentives, commissions, premiums, allowances and any other discretionary or non-discretionary compensation unless required by law. For Employees on a reduced work schedule and for part-time employees, a week of Regular Base Pay shall be an amount equal to the number of hours that such Employee normally works in a week multiplied by such Employee's normal hourly rate of pay in effect on the EON Date, including straight-time earnings and excluding overtime, bonuses, incentives, commissions, premiums, allowances and any other discretionary or non-discretionary compensation unless required by law.

2.22 Years of Service. The number of whole years of service from the Employee's date of hire, or adjusted service date, through the EON Date. Partial years of service do not count.

Article 3: Qualification for Benefits

3.1 Qualification. An Eligible Employee whose employment with Employer is permanently terminated by the Employer due to permanent layoff, reduction in force, facility closing, reorganization, consolidation, or economic reasons shall be eligible to qualify to receive the severance benefits described in Article 4.

3.2 Disqualifying Events. An Eligible Employee who might otherwise qualify for severance benefits under this Plan shall be disqualified for such benefits by any one of the following events and circumstances:

- a. The Employee fails to continue satisfactorily performing assigned job duties until the date set by the Employer for the Employee's termination.
- b. The Employee works for a division, subdivision, plant, location, or other identifiable entity that is sold or otherwise transferred to an owner other than Alcatel USA, Inc. or a member of its controlled group within the meaning of sections 414(b), (c) or (m) of the Code where the Employee's position continues at comparable compensation.
- c. The Employee is terminated for reasonable cause, as determined in the sole and absolute discretion of the Plan Administrator, including but not limited to insubordination, substandard performance of duties, dishonesty, theft, willful misconduct, harassment, violation of company policy, or being under the influence of illicit drugs or alcohol at work or on the Employer's premises.
- d. The Employee is terminated by retirement, voluntary resignation, death, permanent or temporary disability, or failure to return from a leave of absence, unless such event is deemed to be a "layoff" in writing by the Employer.

- e. The Employee refuses to accept a reasonable transfer to an assigned job or location.
- f. The Plan Administrator determines that commencing or continuing severance benefits under the Plan would be inappropriate because of the facts and circumstances of the Employee's termination or because of the Employee's conduct subsequent to termination.
- g. The Employee works for a division of Alcatel other than Alcatel USA Marketing, Inc., and was notified of an impending involuntary termination of employment with different severance provisions and such Employee is later transferred to the payroll and benefits of Alcatel USA Marketing, Inc. prior to the date of the involuntary termination of employment.
- h. The Employee volunteered in the July 2001 voluntary layoff window, even if the termination date is after the Effective Date.**

Article 4: Benefits Under the Plan

4.1 Salary Continuation. An Eligible Employee who qualifies for severance benefits under this Plan shall be entitled to receive nine (9) Weeks of Regular Base Pay. All regular deductions, contributions, and tax withholding will continue to apply to the Salary Continuation payments, unless otherwise noted.

4.2 Severance Payment Schedule: In addition to the Salary Continuation payments described in Section 4.1 above, an Eligible Employee who qualifies for severance benefits under this Plan and who signs and returns the Agreement without revoking signature shall receive the Severance Payment described in the table below.

Weeks of Regular Base Pay for Employees with 0 to 14 years of service	1.5 Weeks of Regular Base Pay for every full year of service for Employees (see Exhibit A) subject to the following minimums and maximums.
Weeks of Regular Base Pay for Employees with 15 or more years of service	(a) 1.5 Weeks of Regular Base Pay for every full year of service (for years 1 to 14) and (b) for year 15 and forward, 2 weeks for every full year of service for Employees (see Exhibit A), subject to the following maximums.

(schedule continued on following page)

Minimum Severance Payment for Non-Director/VP	1.5 Weeks of Regular Base Pay.
Minimum Severance Payment for Director, Sr. Director or AVP	26 Weeks of Regular Base Pay for employees with the job level of Director, Sr. Director or AVP.
Minimum Severance Payment for VP	52 Weeks of Regular Base Pay for employees with the job level of VP, VP/GM, Group VP or Sr. VP.
Maximum Severance Payment for all Employees	52 Weeks of Regular Base Pay.

- 4.3 Form of Severance Payment:** The Severance Payment under this Plan will be paid in the form of a lump-sum cash payment (a "Lump-Sum Payment").
- 4.4 Timing of Severance Payment:** Within ten (10) business days of the EON Date, provided Employee has executed and returned the Agreement, and provided Employee does not revoke his or her signature within seven (7) calendar days of execution of the Agreement by the Employee, the Employer will mail to Employee as the Severance Payment, a final Lump-Sum Payment which is equal to the total number of Weeks of Regular Base Pay according to the Severance Payment Schedule in Section 4.2.
- 4.5 Deductions from Severance Payment:** The following items are automatically deducted from the Severance Payment: (1) pre-tax or after-tax contributions to The Savings Plan based on the Employee's contribution elections under such plan, if any, (2) Federal, state, and local income and payroll taxes, and (3) any other deductions, garnishments, or withholdings required by law, or owed to the Employer.
- 4.6 Health Care Continuation:** Employee will be eligible to continue to participate in Alcatel's group medical and dental plans during the nine (9) week Notification Period on the same basis as Employee was participating in such plans prior to the beginning of the Notification Period. Following the Official Termination Date, Employee and/or his eligible dependents may elect to continue to participate in these plans and receive these benefits, at the Employee's or the eligible dependent's expense, as applicable, under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") for up to 18 months subject to the extensions provided pursuant to COBRA, which may allow continuation for a total period of up to 29 or 36 months.

4.7 Outplacement Services. Employee will receive outplacement services provided by the Employer.

4.8 Integration With Other Benefits Or Notice Requirements. The severance benefits provided under this Plan are the maximum benefits that the Employer will pay for severance described in Section 4.2 of this Plan. These severance benefits will be reduced by any amounts that the Employer is required to pay the Employee under a federal, state, or local law relating to involuntary terminations or plant closings or any contractual obligations by the Employer to pay severance benefits to the Employee.

If an Employee covered by this Plan is also entitled to a notice because of the WARN Act, then the combined amount of Salary Continuation, the Severance Payment and the Health Care Continuation will be counted toward amounts required under the WARN Act.

Nothing in this section 4.8 or any other section of this Plan shall be used to reduce benefits under this Plan because of payments under state unemployment insurance laws, except where required by those laws.

4.9 Withholding. The Employer will have the right to take such action as it deems necessary or appropriate to satisfy any requirement under federal, state, or other law to withhold or to make deductions from any benefit payable under this Plan.

4.10 Other Company Benefit Plans. Benefit provisions will be applied with respect to the Employee on account of his severance from certain other employee benefit Plans as described in Exhibit B to this Plan. Exhibit B may be amended from time to time without the need for a formal amendment to the Plan, in which case a revised B will be attached hereto.

4.11 Reemployment of Employee. In the event that an Employee who received or is currently receiving severance benefits under this Plan is reemployed by the Employer, the Employee shall be required to repay to the Employer the amount of Severance Payment, if any, that is attributable to the Employee's period of reemployment. For example, if the Employee is entitled to receive a Severance Payment with respect to a twenty (20) week period and the Employee is reemployed ten (10) weeks after the EON Date, the Employee will be obligated to pay to the Employer an amount equal to ten (10) weeks of such Severance Payment. Such repayment must be made on or before the Employee's date of reemployment in the form of a lump sum cash payment. Corresponding adjustments will be made by the Employer with respect to any deductions previously taken from the Severance Payment pursuant to Section 4.5. Conversely, if the Employee is reemployed after expiration of the period for which the Severance Payment is payable under this Plan, no repayment obligation shall apply.

Article 5: Administration

- 5.1 The Plan Administrator.** The Plan Administrator will administer this Plan, furnish all notices, and perform all filings, as required by law. The Plan Administrator also will have the power to implement, operate, and interpret this Plan and to take such other action as the Plan Administrator deems equitable and consistent with the purpose of this Plan in particular circumstances. Although the Plan Administrator may not change any part of the Plan, the Plan Administrator does have the responsibility and discretion to interpret and enforce all Plan provisions in its sole and absolute discretion.
- 5.2 Notification To Employees.** The Plan Administrator will notify Eligible Employees when and if they become eligible for severance benefits under this Plan.
- 5.3 Claims By Employees.** Any Employee covered by this Plan who believes he or she is entitled to benefits under this Plan but who has not been advised of such benefit or who believes that the calculation of the benefit is in error should file a claim with the Plan Administrator. The claim should be filed within thirty (30) days of the date on which the Employee had learned of the scheduled termination or of the amount of the benefit to be paid or not paid under this Plan.

The Employee should submit a signed and dated claim in writing that briefly explains the basis for the claim. The claim must be sent by certified mail or presented in person to the Plan Administrator. If the claim is presented in person to the Plan Administrator then the Plan Administrator must give the Employee a written acknowledgment of receipt.

Within thirty (30) days of receiving the claim, the Plan Administrator will respond in writing to the Employee, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice shall be furnished to the claimant within thirty (30) days of the date the claim was filed stating the specific circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than sixty (60) days from the date the claim was filed. The response will set forth the decision of the Plan Administrator and the pertinent Plan provisions on which the decision is based. If no notice of denial is provided as herein described, the claimant may appeal as though the claim has been denied.

- 5.4 Appeals.** Any Employee not satisfied by the disposition of the claim by the Plan Administrator shall have the right to appeal to the Plan's Appeals Committee within thirty (30) days of receiving the decision of the Plan Administrator. The appeal must be in writing and include copies of the claim submitted to the Plan Administrator and the Plan Administrator's decision. The appeal should briefly explain why the Employee believes the Plan Administrator's decision was in error.

The appeal can be filed, by certified mail or in person, with any member of the Appeals Committee. If it is filed in person, the receiving member of the Appeals Committee must give the Employee a written acknowledgment of receipt.

The Appeals Committee must send its decision on the appeal, in writing, to the Employee, within sixty (60) days of the date on which the notice of appeal was filed, unless special circumstances require an extension of time for processing the appeal. If such an extension is required, written notice shall be furnished to the claimant within sixty (60) days of the date the notice of appeal was filed stating the specific circumstances requiring an extension of time and the date by which a decision on the appeal can be expected, which shall be no more than one hundred twenty (120) days from the date the notice of appeal was filed. Such decision shall cite the pertinent Plan provisions on which the decision is based. If no notice of denial is provided as herein described, the appeal shall be deemed denied.

Compliance with the internal claims procedures set forth in Section 5.3 and Section 5.4 is a mandatory precondition to filing an action for severance benefits in state or federal court.

Article 6: Amendment and Termination

Alcatel USA, Inc. reserves the right to amend this Plan from time to time and to terminate this Plan at any time by action of its board of directors or any committee that the board of directors has delegated the authority to amend and/or terminate the Plan. The benefits provided under this Plan are not vested benefits. In the event that the Plan is terminated, then on or after the termination date, no obligations for payment under the Plan will exist, provided that former Eligible Employees who are already receiving severance benefits under this Plan will continue to receive benefits for the period designated under this Plan.

Article 7: Miscellaneous

7.1 Right To Terminate Employment. A former Employee's failure to qualify for severance benefits under this Plan will not rescind or otherwise affect the Employee's termination of employment from the Employer, and such failure to qualify for severance benefits under this Plan will not establish any right (a) to a continuation or reinstatement of employment with the Employer, or (b) to receive any payment from the Employer in lieu of severance benefits.

- 7.2 Source Of Benefits.** All Salary Continuation and Severance Payments payable to a terminated Employee under this Plan will be paid from the general assets of the Employer, and the status of an Employee's claim to any Salary Continuation or Severance Payments will be the same as the status of a claim against the Employer by any general and unsecured creditor. No person can look to, or have any claim against, any officer, director, Employee, or agent of the Employer as an individual for payment of any benefits under this Plan. Any Health Care Continuation benefits payable under this Plan shall be paid from the general assets of the Employer or any insurance policy purchased by the Employer to provide medical and dental benefits to its Employees.
- 7.3 Benefits Not To Be Construed As Pension Benefits.** If the Salary Continuation Payments and other benefits provided under this Plan, together with other termination benefits (other than benefits provided for in a qualified retirement plan or a "top-hat plan" maintained by the Employer), equal or exceed the equivalent of two (2) years' pay to an Eligible Employee, the Plan Administrator has the authority to reduce the Salary Continuation or Severance Payments payable under this Plan.
- 7.4 No Assignment; Binding Effect.** No Employee will have the right to alienate, assign, commute, or otherwise encumber benefits under this Plan for any purpose, and any attempt to do so will be disregarded completely as null and void. The provisions of this Plan will be binding on each Employee (and on each person who claims a benefit under any such Employee) and on the Employer.
- 7.5 ERISA.** Alcatel USA, Inc. intends for this Plan to constitute a "Welfare Plan" under ERISA and any ambiguities in this Plan will be construed to affect that intent.
- 7.6 Construction.** This Plan will be construed in accordance with the law of the state of Texas to the extent not preempted by federal law. Headings and subheadings have been added for convenience of reference and will have no substantive effect whatsoever. All references to sections will be to sections in this Plan unless specifically provided otherwise.
- 7.7 Usage.** Whenever applicable, the masculine gender, when used in this Plan, will include the feminine or neuter gender, and the singular will include the plural.

SEVERANCE PAYMENT CHART
(MUST EXECUTE AGREEMENT TO RECEIVE)

EXHIBIT A

<u>YEARS OF SERVICE</u>	<u>TOTAL WEEKS OF SEVERANCE</u>
0-1	1.5
2	3.0
3	4.5
4	6.0
5	7.5
6	9.0
7	10.5
8	12.0
9	13.5
10	15.0
11	16.5
12	18.0
13	19.5
14	21.0
15	23.0
16	25.0
17	27.0
18	29.0
19	31.0
20	33.0
21	35.0
22	37.0
23	39.0
24	41.0
25	43.0
26	45.0
27	47.0
28	49.0
29	51.0
30	52.0
31	52.0
> 31	52.0

Severance Provisions Under Other Company Plans

Exhibit B

- **Retirement Savings Plan (The Savings Plan):** If an Employee qualifies for benefits under the Severance Plan, and is not fully vested in the Employer Matching Contribution account under The Savings Plan, then such account will be fully vested as of the Employee's Official Termination Date. The Employee may elect to take distribution from The Savings Plan in the form of a lump sum payment or a rollover to an IRA or another employer's plan, or the Employee may elect to leave The Savings Plan account with Fidelity. The Employee will need to contact Fidelity at 1-800-548-401k or www.401k.com for information on these elections.
- **Consolidated Retirement Plan:** If the Employee is eligible and meets the vested service definition under the plan, then the Employee will receive a retirement benefit in accordance with the applicable plan documents. Alcatel will deliver to the Employee a package as soon as practicable that (a) describes the Employee's distribution options and the applicable tax implications, and (b) requests the Employee to make certain elections.
- **401(k) Savings Supplemental Benefit Plan:** If the Employee participated in the Supplemental 401(k) Savings Plan, then the Employee will receive the balance, if any, of the Employee's account in accordance with the applicable plan documents. Applicable payroll taxes will be deducted from this payment.
- **Supplemental Retirement Plan:** If the Employee participated in the Supplemental Retirement Plan, then the Employee will receive the benefits, if any, payable to him from such plan in accordance with the applicable plan documents. Applicable payroll taxes will be deducted from any payments made from this plan.
- **Other Nonqualified Retirement Plans (i.e., the Supplemental Executive Retirement Plan, Restoration Plan or EDI):** If the Employee participated in any other nonqualified retirement plans maintained by the Employer, then the Employee will receive the benefits, if any, payable to him under such plans in accordance with the applicable plan documents. Applicable payroll taxes will be deducted from any payments made from these plans.
- **Flexible Spending Account (FSA):** The Employee's participation in the medical and dependent care Flexible Spending Account (FSA) Plans will end as of the EON Date. The Employee may elect to continue to participate in the medical FSA for the remainder of the current plan year pursuant to a COBRA election, by making contributions on an after tax basis.

- **Disability Benefits:** The Employee will cease to be eligible for coverage under the Alcatel USA, Inc. Short Term and Long Term Disability Policies on the EON Date.
- **Life and AD&D Insurance:** The Employee's basic life and accidental death and dismemberment insurance will remain in effect for 31 days after the EON Date. During this 31 day period, the Employee may elect to convert these policies to individual policies.
- **Group Universal Life (GUL) and Personal Accident Insurance (PAI):** If the Employee was participating in the group universal life insurance policy (commonly known as GUL), and the personal accident insurance policy (commonly known as PAI), then the Employee will discontinue premium payments for GUL and PAI as of the EON Date. The Employee may continue this personal policy under a portable issue by paying premiums directly to the insurance carrier.
- **Alcatel Alsthom 1997 Group Company Plan for Employees of U.S. Subsidiaries (the "1997 Share Plan"):** If the Employee holds American Depositary Shares ("ADSs") representing Alcatel shares pursuant to the 1997 Share Plan, then with respect to those ADSs which are designated as Paid ADSs, the restrictions on transfer will be deemed to have lapsed once the Employee has notified his Plan Representative as described in the applicable plan documents. The Employee's ability to transfer or own Bonus ADSs under the 1997 Share Plan will not be affected by the Employee's termination of employment.
- **Alcatel 2000 Share Purchase and Option Plan for Employees of U.S. Subsidiaries (the "AI' Plan"):** If the Employee holds ADSs and options pursuant to the AI' Plan, then with respect to those ADSs which are designated as Purchased ADSs, the restrictions on transfer will be deemed to have lapsed once the Employee has notified his Plan Representative as described in the applicable plan documents. The Employee's ability to exercise options under the AI' Plan will not be affected by the Employee's termination of employment. However, Employee is required to pay for the Purchased ADSs on or before the EON Date.
- **Alcatel 2001 Share Purchase and Option Plan for Employees of U.S. Subsidiaries (the "AI' 2001 Plan"):** If Employee subscribed to purchase shares (which will be converted to ADSs) under the AI' 2001 Plan, then with respect to those ADSs which are designated as Purchased ADSs, the restrictions on transfer will be deemed to have lapsed once the Employee has notified his/her Plan Representative, and once these ADSs have been deposited with the Bank of New York, as described in the applicable plan documents. Termination of employment will not cause the options under the AI' 2001 Plan to be forfeited and the Employee's ability to exercise options under the AI' 2001 Plan will not be affected by the termination of employment. However, Employee is required to pay for the Purchased ADSs on or before the EON Date.

- **Alcatel Purchase Stock Options Plan December 1998 (the "1998 Corporate Option Plan"):** If the Employee has been granted stock options in Alcatel shares pursuant to the 1998 Corporate Option Plan, then refer to the plan documents for vesting and exercise terms.
- **Alcatel USA, Inc. 1999 Stock Plan (the "1999 AUSA Plan"):** If the Employee has been granted stock options in ADSs pursuant to the 1999 AUSA Plan, then those options that have vested on the EON Date will continue to be exercisable for 365 days after the EON Date in accordance with the applicable plan documents. Vesting under the 1999 AUSA Plan shall ceased on the EON Date as set forth in the plan documents.
- **Alcatel Corporate Stock Option Plan for Class A Shares (the "2001 Corporate Option Plan"):** If Employee has been granted stock options in Alcatel shares pursuant to the 2001 Corporate Option Plan, then refer to the plan documents for vesting and exercise terms.

**THE ALCATEL USA, INC.
SEVERANCE BENEFITS PLAN**

**(a component program of the Alcatel USA, Inc.
Comprehensive Welfare Benefit Plan)**

ERISA SUPPLEMENT

As in effect as of January 7, 2002

Introduction

The Alcatel USA, Inc. Severance Benefits Plan (the "Plan") is a welfare plan that provides severance benefits as determined by the Plan Administrator. The Plan is a component program under the Alcatel USA, Inc. Comprehensive Welfare Benefit Plan (the "Comprehensive Welfare Plan"). This ERISA Supplement gives you general information regarding the Plan and your rights under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Additional information regarding your participation in the Plan and the specific benefits available to you through the Plan is provided in the attached Plan document (the "Document").

♦ Summary Plan Description

This ERISA Supplement and the Document together constitute the Summary Plan Description ("Summary") for the Plan. The complete provisions of the Plan are set forth in the official plan documents (i.e., the ERISA Supplement, the Document and the Comprehensive Welfare Plan and related attachments), which are available for your review at the office of the Plan Administrator during regular business hours. You may also obtain a copy of the official plan documents by making a written request to the Plan Administrator. In the event of any inconsistency between the information in this Summary and the plan documents, the plan documents will prevail.

♦ Purpose of Summary

You should read this Summary carefully because it describes the severance benefits offered by the Plan. If you have difficulty understanding any part of this Summary or if you would like more information, please contact the Plan Administrator.

General Information about the Plan

♦ Employer and Plan Sponsor

The Plan is sponsored and maintained by Alcatel USA, Inc. Its address is:

Alcatel USA, Inc. 1000 Coit Road Plano, Texas 75075

When used in this Summary, the term "Company" means Alcatel USA, Inc., and the term "Employer" means the Company and any related entity which is a participating employer in the Plan.

The Company is responsible for the operation of the Plan. The Company has the authority to amend or terminate the Plan and appoint such persons as necessary to assist it in overall administration of the Plan.

♦ **Plan Administrator**

The Company is the Plan Administrator who is responsible for administering the Plan, as defined in Section 2.14 of the Document. The Plan Administrator's address and telephone number are:

Alcatel USA, Inc.
1000 Coit Road
Plano, Texas 75075
(972) 519-3000

♦ **Plan Administration**

The Plan Administrator handles the day-to-day administration of the Plan as described in Section 5.1 of the Document. In carrying out these duties, the Plan Administrator may delegate certain administrative tasks or functions to the employee benefits department of the Company or Alcatel USA Marketing, Inc. or to other employees of the Company. In addition, the Plan Administrator may delegate certain administrative tasks or functions to the Appeals Committee (i.e., the Alcatel USA, Inc. Administration Committee) and, in fact, has delegated to the Appeals Committee the authority to resolve benefit appeals. Both the Plan Administrator and the Appeals Committee have the responsibility and discretion to interpret and enforce all Plan provisions in their sole and absolute discretion; however, any exercise of discretion by the Plan Administrator or Appeals Committee must be exercised in a uniform and nondiscriminatory manner. The Appeals Committee may be reached at the following address and telephone number:

Alcatel USA, Inc. Administration Committee
1000 Coit Road
Plano, Texas 75075
(972) 519-3000

♦ **Agent for Service of Legal Process**

The Agent for Service of Legal Process is the Company. Service may also be made on the Senior Vice President of Human Resources at the same address as the Company.

♦ **Employer and Plan Identification**

Some information about the Plan is filed with the Internal Revenue Service and the Department of Labor. If you wish to write to either agency, you must refer to the following Employer Identification Number and Plan Identification Number:

Employer Identification Number: 54-1025763
Plan Number: 501

♦ **Plan Year**

The Plan Year is the 12-month period used for maintaining the financial records for the Plan. The Plan Year begins on each January 1 and ends on each December 31.

Circumstances That May Affect Your Benefits

♦ Future of the Plan

The Company has the right to amend, modify or terminate the Plan, in whole or in part, at any time at its option. In addition, an Employer may withdraw as a participating employer at any time.

A decision to change or terminate the Plan may be due to business conditions, changes in the law governing such plans or any other reason.

♦ No Guarantee of Employment

This Plan should not be considered an employment contract between you and your Employer. It does not guarantee you the right to be continued in your Employer's employment, nor does it limit your Employer's right to discharge you or any employee.

Other Important Information

♦ Filing Claims for Benefits

You or your Beneficiary must file a written request for benefits if you believe you are entitled to benefits and have not been so advised or if you believe the calculation of your benefits is in error. Claims should be filed as specified in Section 5.3 of the Document. All benefit determinations will be made by the Plan Administrator acting in its sole discretion in accordance with the terms of the Plan. If no notice of denial is provided within the specified timeframe, you may appeal as though the claim has been denied.

♦ Appeal of Denied Claims

After you receive notice of denial or if your claim is deemed denied, you may appeal to the Appeals Committee, in writing, within 30 days after receipt of a notice of denial of your claim. Appeals should be filed as specified in Section 5.4 of the Document. If you do not receive written notification within the specified timeframe, the appeal will be deemed denied.

Your Rights Under ERISA

♦ Receive Information About Your Plan and Benefits

Under ERISA as a participant you are entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.

- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

♦ **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your Employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

♦ **Enforce Your Rights**

If your claim for benefits under the Plan is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

♦ **Assistance with Your Questions**

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.